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**An electronic information letter by BNH Expert Software.**

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**Budgeting Tips**

by Hedda Bird, 3C Associates Ltd

Although planning and budgeting may not be a priority for most, the budget greatly impacts what we can and cannot do throughout the year - including tools we can purchase, training programs we can develop/license, resources we can hire as well as conferences we can attend. In other words - what we can accomplish. To help you prepare future budgets, here are some tips from Hedda Bird Managing Director of 3C Associates.

**1. Last year may not be a useful guide**

Many organizations start their budgeting by taking the previous years figures and applying some across-the-board multiplier to it. For example, "last year + 5%", or "last year -5%", if we think it's going to be tough. This is rarely helpful. Even if your organizational goal is "last year + 5%", it does not tell you how best to use your money. Given the rate of change in business today, it is likely that you will need to do things differently even if the goal is only slightly different. Simply fiddling with last year's budget may actually prevent you from delivering your goals.

**2. Goals first, budget second**

Start with your planned goals – what do you have to achieve? If you have to set your budget before agreeing your goals, beware! The budget will become your goal. Be realistic in assessing the resources you need to achieve your goals. Consider the people, both internal and external, the services, any physical resources and the projected income. Then look at the implications for the goals if the resources are not available.

**3. Fixed income**

If you work in the public sector, you may have your total spending power fixed in advance, regardless of what you have to achieve. This often happens to service functions in the private sector. HR and Training functions are often told what they can spend, and then left to work out how to make the most of it. The reality of this situation needs to be made clear to those setting the spending limits. Showing how the organizational goals lead directly to your proposed budget is critical for winning credibility (especially if you believe there is not sufficient spending to deliver the required goals).

**4. Needs based budgeting**

Every manager would like more resources, so the competition for spending power is tough. As with a fixed income, you need to show a clear line of sight from the Organizational Goals to your proposed budget. If possible, you need to indicate the return on investment that the organization will get from allocating resources to your budget. Even if you don't win the argument, you will certainly win respect.

## 5. Risk & Judgment

Every budget is about risk. What resources have we got to risk in order to deliver the expected result? Remember, when you set a budget, it is your assessment of business risk that is on show. We cannot predict the future. Business is changing so fast, that if your budgeting process is too long, it may not reflect reality by the time it is finished.

## 6. Be approximately right instead of perfectly wrong

Don't spend your time on getting every last penny of expenditure correct. For most of us, setting a budget is a useful activity if it:

- helps clarify in our minds HOW we are going to deliver the goals
- helps those responsible for organizational cash/profit/resources make decisions

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## Contributions

Contributions, on what worked and didn't - including practical tips, advice, white papers, case studies, articles, reviews, online seminars, software tools and research reports - are welcomed. Please send to [✉bahlis@bnhexpertsoft.com](mailto:bahlis@bnhexpertsoft.com). Full credit will be given to author.

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